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To: Supervisor Michael D. Antonovich, Mayor
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From: Sachi A. Hamai
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WASHINGTON, D.C. UPDATE ON FEDERAL FISCAL YEAR (FFY) 2016 BUDGET RESOLUTION

Executive Summary

This memorandum is to provide the Board with an update on the Federal Fiscal Year (FFY) 2016 budget resolutions, which set non-binding spending and revenue targets to guide Congressional action on fiscal legislation, passed by the House and Senate last week before Congress left for a two-week recess.

Both budget resolutions would balance the Federal budget deficit within 10 years by significantly reducing non-defense spending. The Senate version (S. Con. Res. 11) cuts mandatory (entitlement) spending by $4.292 trillion and non-defense discretionary spending by $236 billion, while the House version (H. Con. Res. 27) cuts mandatory spending by $4.171 trillion and non-defense discretionary spending by $759 billion over 10 years. Health programs, especially Medicaid, would bear the brunt of the mandatory spending cuts because both would repeal the entire Affordable Care Act (ACA) and replace the current open-ended Medicaid entitlement with a state block grant funded at far lower levels. Medicaid alone would be cut by roughly $1.8 trillion in the House version and $1.3 trillion over 10 years in the Senate version.

Medicaid spending cuts of such size, if enacted, would result in a major Federal revenue loss for the County and major increased net County costs because Medicaid currently accounts for over half of the County's total revenue and reimburses health, mental health, and In-Home Supportive Services costs which otherwise must be County-financed. The County also could suffer major revenue losses from the reductions in overall mandatory and discretionary spending in both budget resolutions.

House and Senate FFY 2016 Budget Resolutions

The House passed its FFY 2016 budget resolution (H. Con. Res. 27) on March 25, 2015, and the Senate passed its version (S. Con. Res. 11) on March 27, 2015, without a single Democrat "aye" vote in either house. The FFY 2016 budget resolution sets non-binding spending and revenue targets over 10 years (FFYs 2016 through 2025) to guide Congressional action on fiscal legislation.

Both versions would balance the Federal budget within the next 10 years by cutting Federal spending and net interest payments on the Federal debt. As seen in the attached comparison chart, the House version would reduce the Federal deficit by nearly $5.5 trillion while the Senate version would reduce the deficit by $5.1 trillion over 10 years. All of the spending reductions would come from non-defense programs in both versions. The Senate version cuts mandatory (entitlement) spending by $4.292 trillion and non-defense discretionary spending, which is set in annual appropriations bills, by $236 billion while the House version cuts mandatory spending by $4.171 trillion and non-defense discretionary spending by $759 billion over 10 years.

Health programs, especially Medicaid, would bear the brunt of the mandatory spending cuts because both versions call for the repeal of the entire ACA, including its Medicaid expansions, and for converting the current open-ended Medicaid entitlement into a state block grant funded at far lower levels. Repealing the ACA would reduce Federal spending by an estimated $2.042 trillion over 10 years, including an estimated $904 billion in Medicaid savings. The House budget resolution assumes an additional $913 billion in savings from block granting Medicaid while the Senate version assumes an additional $400 billion in Medicaid savings. Therefore, the House version reduces Medicaid spending by a total of roughly $1.8 trillion while the Senate version reduces Medicaid by $1.3 trillion over 10 years.

The House budget resolution includes reconciliation instructions for 13 committees to submit legislation to reduce the deficit, including the Agriculture, Energy and Commerce, Natural Resources, Transportation and Infrastructure, and Ways and Means Committees, which have jurisdiction over mandatory spending programs through which the County receives funding. The Senate version includes reconciliation instructions for only two committees -- the Finance and Health, Education, Labor and Pensions Committees, which have jurisdiction over health programs. Reconciliation instructions are important because budget reconciliation legislation cannot be filibustered in the Senate. It, therefore, can pass the Senate on a simple majority rather than a 60-vote majority in the Senate this year.

One significant difference between the House and Senate budget resolutions is that the House, but not Senate, budget resolution assumes $125 billion in savings from converting the Supplemental Nutrition Assistance Program (SNAP), which funds CalFresh in California, into a state block grant that would receive less funding than under the current open-ended SNAP entitlement. The House version also includes reconciliation instructions for the House Agriculture Committee, which has jurisdiction over SNAP, but the Senate version does not include reconciliation instructions for its Agriculture Committee.

Potential Impacts of House and Senate Budget Resolutions on the County

If legislation consistent with the House or Senate FFY 2016 budget resolutions is enacted into law, the County would suffer a major loss of Federal revenue and major increase in net County costs, especially for health, mental health, and In-Home Supportive Services costs, which are partially financed by Medicaid. This is mainly because the budget resolution calls for deep cuts in Medicaid, which alone accounts for over half of the County's total Federal revenue.

Based on the Congressional Budget Office's baseline estimate of $4.63 trillion in 10-year Medicaid spending under current law, the $1.8 trillion House Medicaid spending cut translates into a 39 percent cut nationwide while the $1.3 trillion Senate Medicaid cut would mean a 28 percent cut. Medicaid cuts of such magnitude would require deep cuts in Medicaid eligibility, covered services, and provider payments, all of which would hurt the County and its low-income residents who rely on Medicaid-funded services.

Even worse, California and other states which currently receive significantly more Medicaid funding because they implemented optional ACA Medicaid expansions would incur a higher percentage cut in Medicaid funding than states which did not implement ACA Medicaid options. California also would be disproportionately hurt even if the ACA were not repealed. This is because both budget resolutions assume that the increased Medicaid spending associated with the ACA's expansions will not be counted in determining each state's annual block grant allocations. If ACA-related Medicaid spending, instead, were counted, ACA expansion states permanently would receive more block grant funding relative to non-expansion states – an outcome that would hurt states with greater representation by Republicans who control both houses of Congress.

Both budget resolutions do not indicate how over $1 trillion in mandatory non-health spending cuts would be distributed among programs. However, the County could be hit hard by such cuts because Social Security, which is the largest entitlement program, by far, is unlikely to be cut. If Social Security is not cut, there would be a greater risk of cuts in low-income mandatory programs, such as the Temporary Assistance for Needy Families, Title IV-E Foster Care and Adoption Assistance, SNAP, and Child Support Enforcement, which together account for most of the County's remaining Federal revenue after excluding Medicaid revenue.

Reductions in overall non-defense discretionary spending also could significantly reduce the amount of funding that the County will receive in the future through annual appropriations bills. The potential for spending cuts would be greater in the House budget resolution because it reduces non-defense discretionary spending by $759 billion over 10 years, compared to the far smaller $236 billion reduction in the Senate version.

Legislative Outlook

Both houses are on recess until the week of April 13, 2015. The Congressional Republican leadership plan to informally reconcile the differences between the Senate and House-passed budget resolutions and pass a final version of the FFY 2016 budget resolution without any Democratic support by April 18, 2015. Because the budget resolution is not enacted into law, the Congressionally approved FFY 2016 budget resolution will not require the President's signature. However, the President's signature would be required to enact appropriations, budget reconciliation, or other budget-related legislation which is consistent with the budget resolution's spending targets.

We will continue to keep you advised.

SAH:JJ:MR
MT:gl

Attachment

c: All Department Heads
Legislative Strategist

Attachment

COMPARISON OF HOUSE AND SENATE FFY 2016 BUDGET RESOLUTIONS
(H. Con. Res. 27 and S. Con. Res. 11)

The dollar figures below reflect 10-year estimates (FYs 2016 through 2025)

	House (in billions)	Senate (in billions)
Total Deficit Reduction/Spending Cut	$5,466	$5,099
Total Mandatory Spending Cuts	4,171	4,292
Affordable Care Act Repeal (part of mandatory spending cuts)*	2,042	2,042
Medicaid Spending Cut (excluding ACA repeal savings)**	913	400
Supplemental Nutrition Assistance Program Spending Cut***	125	--
Total Discretionary Spending Cuts	499	97
Total Non-Defense Discretionary Spending Cut	759	236
Total Net Interest Savings	798	710

These dollar figures are Budget Committee estimates. The Congressional Budget Office does not score (estimate) the cost of budget resolutions, which do not include detailed legislative language.

* The estimated $2.042 trillion in savings from repealing the Affordable Care Act (ACA), includes an estimated $904 billion in Medicaid savings.

** These estimates reflect savings from converting the current open-ended Medicaid entitlement into a state block grant, which would be capped at lower funding levels and do not include the estimated $904 billion in Medicaid savings from repealing the ACA.

*** The House version assumes $125 billion in savings from converting the current open-ended Supplemental Nutrition Assistance Program (SNAP) entitlement into a state block grant, which would be capped at lower funding levels. The Senate Budget Committee did not indicate how much SNAP spending might be reduced as part of its $4.292 trillion in overall mandatory spending cuts.

The House budget resolution includes reconciliation instructions for 13 committees to submit legislation to reduce the deficit, including the Agriculture, Energy and Commerce, Natural Resources, Transportation and Infrastructure, and Ways and Means Committees which have jurisdiction over mandatory spending programs through which the County receives funding.

The Senate budget resolution includes reconciliation instructions for only the Health, Education, Labor and Pensions (HELP) and Finance Committees.